

**BUSINESS ENTREPRENEURSHIP
SCIENCE & TECHNOLOGY
ACADEMY**

**Financial Report
with Supplemental Information
and Single Audit Report
June 30, 2007**

**BUSINESS ENTREPRENEURSHIP
SCIENCE & TECHNOLOGY ACADEMY**

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Wilkerson & Associate, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

645 GRISWOLD, SUITE 1812
DETROIT, MICHIGAN 48226
313-967-0134 FAX 313-967-0138

LARRY WILKERSON, C.P.A.
THOMAS E. WILKERSON, C.P.A.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Business Entrepreneurship Science & Technology Academy

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Business Entrepreneurship Science & Technology Academy as of and for the year ended June 30, 2007, which collectively comprise the Academy's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of Business Entrepreneurship Science & Technology Academy's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Business Entrepreneurship Science & Technology Academy as of June 30, 2007 and the respective changes in financial position, where applicable, thereof for the year ended, in conformity with accounting principles generally accepted in the United States of America.

Members: A.I.C.P.A. and M.A.C.P.A.

To the Board of Directors of
Business Entrepreneurship Science & Technology Academy

The management's discussion and analysis and budgetary comparison information on pages 5 through 11 and 31 are not required parts of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Business Entrepreneurship Science & Technology Academy's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2007 on our consideration of Business Entrepreneurship Science & Technology Academy's internal control structure and our tests of its compliance with certain provision of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Wilkinson & Associate PC

September 24, 2007

Wilkerson & Associate, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

645 GRISWOLD, SUITE 1812
DETROIT, MICHIGAN 48226
313-967-0134 FAX 313-967-0138

LARRY WILKERSON, C.P.A.
THOMAS E. WILKERSON, C.P.A.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
Business Entrepreneurship Science & Technology Academy

We have audited the financial statements of Business Entrepreneurship Science & Technology Academy as of and for the year ended June 30, 2007, and have issued our report thereon dated September 24, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Business Entrepreneurship Science & Technology Academy's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

To the Board of Directors of
Business Entrepreneurship Science & Technology Academy

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Business Entrepreneurship Science & Technology Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of the Board of Directors, management and the Michigan Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

Wilkinson & Associates PC

September 24, 2007

Business Entrepreneurship, Science and Technology Academy

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2007

Business Entrepreneurship, Science and Technology Academy is a K-7 Public School Academy located in Highland Park, Michigan. This Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Business Entrepreneurship, Science and Technology Academy administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2007.

OVERVIEW OF THE FINANCIAL STATEMENTS

U.S. generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: Academy-wide Financial Statements and Fund Financial Statements.

Fund Financial Statements:

For the most part, the fund financial statements are comparable to general purpose financial statements. The primary difference is that the Account Groups: General Fixed Assets and General Long-Term Debt are no longer reported. The fund level statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, the Academy's major instruction and instructional support activities are reported in the General Fund. Additional governmental activities are reported in their relevant Special Revenue Funds.

In the fund financial statement, capital assets purchased are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

Academy-wide Financial Statements:

The Academy-wide financial statements are maintained using the "full accrual" basis. They report all of the Academy's assets and liabilities, both short and long term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and long-term obligations of the Academy are reported in the Statement of Net Assets of the Academy-wide financial statements.

Business Entrepreneurship, Science and Technology Academy

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2007

FINANCIAL ANALYSIS OF THE ACADEMY AS A WHOLE

Summary of Net Assets:

The following summarizes the net assets at fiscal year ended June 30, 2006 and 2007:

Net Assets Summary

	<u>2006</u>	<u>2007</u>
Assets		
Current assets	<u>\$ 1,473,796</u>	<u>\$ 1,225,024</u>
Capital assets	369,954	384,008
Less: accumulated depreciation	<u>(46,638)</u>	<u>(94,986)</u>
Capital assets, net book value	<u>323,316</u>	<u>289,022</u>
Total assets	<u><u>\$ 1,797,112</u></u>	<u><u>\$ 1,514,046</u></u>
Liabilities		
Current liabilities	<u>\$ 1,533,648</u>	<u>\$ 1,284,603</u>
Long-term liabilities	<u>1,198,721</u>	<u>972,500</u>
Total liabilities	<u><u>\$ 2,732,369</u></u>	<u><u>\$ 2,257,103</u></u>
Net assets		
Invested in capital assets, net of related debt (deficit)	<u>\$ (875,405)</u>	<u>\$ (744,992)</u>
Unrestricted	<u>(59,852)</u>	<u>1,935</u>
Total net assets	<u><u>\$ (935,257)</u></u>	<u><u>\$ (743,057)</u></u>

FINANCIAL ANALYSIS OF THE ACADEMY'S FUNDS

During fiscal year ended June 30, 2007, the Academy's net assets increased by \$191,614 as compared to a net increased of \$94,676 in the prior fiscal year. During the third year of operation enrollment continued to increase moderately for the Academy. The board and its administration works diligently in creating programs that will accelerate learning of students faster than would a traditional public school. With this goal the board continues to make an investment in the future of the children of this community, not based on a plan that was expected to generate large economic profits, but rather on a plan that is economically sustainable and that would generate dividends to the community in the form of enhanced opportunities for children and families.

Business Entrepreneurship, Science and Technology Academy

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2007

The most significant difference between prior and current years is the increase in student enrollment, which increased state and federal revenues along with enhancing instructional and non-instructional services to children. Additional factors affecting the change in net assets during the year are discussed below:

A. Results of Operations:

For the fiscal year ended June 30, 2006 and 2007, the Academy wide results of operations were:

Net Assets Summary

	2006		2007	
	Amount	% of Total	Amount	% of Total
General revenue:				
State of Michigan aid - all sources	\$ 2,677,392	79.92%	\$ 3,800,685	80.13%
Other	46,385	1.38%	26,772	0.56%
Total general revenue	2,723,777	81.31%	3,827,457	80.69%
Program revenue:				
Charges for services	14,278	0.43%	6,084	0.13%
Operating grants - federal and state	611,905	18.27%	909,711	19.18%
Total program revenue	626,183	18.69%	915,795	19.31%
Total revenue	3,349,960	100.00%	4,743,252	100.00%
Expenses:				
Instruction and instructional services	1,240,694	38.11%	1,690,084	37.13%
Support services	1,723,034	52.92%	2,457,505	53.99%
Food service	180,230	5.54%	257,107	5.65%
Other unallocated	78,718	2.42%	-	0.00%
Interest on long-term debt	-	0.00%	98,594	2.17%
Depreciation (unallocated)	33,194	1.02%	48,348	1.06%
Total expenses	3,255,870	100.00%	4,551,638	100.00%
Increase (decrease) in net assets	\$ 94,090		\$ 191,614	

B. State of Michigan Aid, Unrestricted

The State of Michigan aid, unrestricted is determined by the following variables:

- **Per Student, Foundation Allowance:** Annually, the State of Michigan sets the per student foundation allowance. The Business Entrepreneurship, Science and Technology Academy foundation allowance was \$7,385 per student for the 2006 - 2007 school year.
- **Student Enrollment:** The Academy's student enrollment for the fall count of 2006 - 2007 was 472 students. To calculate total state aid to be provided by the foundation allowance, a blend of 75% of the current year fall count and 25% of the previous year winter count is multiplied by the Academy's foundation allowance.

Business Entrepreneurship, Science and Technology Academy

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2007

Subsequent to June 30, 2007, preliminary student enrollments for 2007 - 2008 indicate that the 2007 fall student enrollment will be moderately higher than the 2006 - 2007 levels.

C. General Fund Budgetary Highlights

General Fund Operations

The Academy's revenues and other sources from General Fund operations exceeded expenditures by \$274 for the fiscal year ended June 30, 2007. The board continues to invest heavily in the future of the Academy by providing the services necessary to produce significant academic achievement gains and to demonstrate to the families in this community that there is a serious dedication to ensuring that children receive a quality education. We believe that with careful planning and budgeting the Academy will be able to move forward with energy and stamina to continue to provide a safe, attractive and challenging educational environment that has and will continue to positively impact the youth in the Highland Park community.

Final Budget vs. Actual

<u>Fiscal Year</u>	<u>Final Budget</u>	<u>Final Actual</u>
Revenues		
2005-2006	\$ 3,196,253	\$ 3,307,689
2006-2007	\$ 4,735,734	\$ 4,526,200
2007-2008 (projected)	\$ 4,661,283	
Expenditures		
2005-2006	\$ 3,196,253	\$ 3,307,689
2006-2007	\$ 4,735,134	\$ 4,525,926
2007-2008 (projected)	\$ 4,658,121	

Original vs. Final Budget

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, Business Entrepreneurship, Science and Technology Academy amends its budget periodically as needed during the school year. The Business Entrepreneurship, Science and Technology Academy Board does not budget for expenditures covered by grants or for the grant revenue until an award allocation is received. The General Fund does not budget for debt financed capital outlays, if applicable, in the original budget.

Business Entrepreneurship, Science and Technology Academy

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2007

Change from Original to Final General Fund Budget

Revenues:

Total Revenues - Original Budget	\$ 4,337,696
Total Revenues - Final Budget	<u>4,735,734</u>
Increase in Budgeted Revenues	<u>\$ 398,038</u>

The Academy's final general fund revenues were less than the final budget by \$209,534 a variance of 4.4%. This variance was primarily a result of unspent state and federal grant allocations awarded to the Academy. Those allocations are available through September 30 and it is anticipated that these unspent allocations at June 30 will be used before the end of the grant period.

The following are the significant changes in revenues from the original budget:

- Adjustment to actual state and federal grant allocations since estimates were used in the original budget.
- Created a loan proceeds amount.

Expenditures:

The Academy's budget for expenditures changed as follows during the year:

Total Expenditures - Original Budget	\$ 4,297,700
Total Expenditures - Final Budget	<u>4,735,134</u>
Increase in Budgeted Expenditures	<u>\$ 437,434</u>

The Academy's actual expenditures were more than final budget by \$209,208 a variance of 4.4%. This variance was primarily a result of under-spending grant allocations described above under the explanation of the revenue variance.

The following are the significant changes in expenditures from the original budget:

- Adjustment in staffing costs to reflect the current student enrollment.
- Adjustment in grant allocation expenditures to reflect amendments made during the school year.
- Increased expenditures for speech and hearing contracted services due to increased needs for special education students.
- Increased expenditures for membership dues and fees, auditing and management services.
- Increased expenditures for student transportation services to the academy. The Academy increased transportation routes and experienced an increase in fuel costs due to current economic conditions.
- Decreased the transfer amount for the Food Service Fund by containing costs.

Business Entrepreneurship, Science and Technology Academy

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2007

CAPITAL ASSETS AND DEBT ADMINISTRATION

A. Capital Assets

The Academy's net investment in capital assets decreased by \$34,294 during the fiscal year. This can be summarized as follows:

	<u>Beginning Balance 6/30/2006</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance 6/30/2007</u>
Depreciable capital assets	\$ 369,954	\$ 14,054	\$ -	\$ 384,008
Less: accumulated depreciation	<u>(46,638)</u>	<u>(48,348)</u>	<u>-</u>	<u>(94,986)</u>
Net investment in capital assets	<u>\$ 323,316</u>	<u>\$ (34,294)</u>	<u>\$ -</u>	<u>\$ 289,022</u>

B. Depreciation Expense

GASB 34 requires Public School Academies to maintain a record of annual depreciation expense and accumulated depreciation. The net increase in accumulated depreciation expense is a reduction in net assets in the entity wide financial statements. Depreciation is not recognized in the fund financial statements and has been noted as a reconciling item in the Academy's financial statements.

For fiscal year ended June 30, 2007, the net increase in accumulated depreciation was \$48,348.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of assets. In accordance with U.S. generally accepted accounting principles (GAAP), depreciation expense is recorded based on the original cost of the asset, less an estimated salvage value.

C. Debt, Principal Payments

A summary of long-term debt service activities is as follows.

	<u>Beginning Balance 6/30/2006</u>	<u>New Financings</u>	<u>Principal Payments</u>	<u>Balance 6/30/2007</u>
Capital lease obligations	\$ 138,135	\$ -	\$ 138,135	\$ -
Notes payable	<u>1,121,514</u>	<u>32,500</u>	<u>120,000</u>	<u>1,034,014</u>
Total	<u>\$ 1,259,649</u>	<u>\$ 32,500</u>	<u>\$ 258,135</u>	<u>\$ 1,034,014</u>

Business Entrepreneurship, Science and Technology Academy

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2007

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Preliminary Budget for the 2007-08 Fiscal Year required certain estimates and assumptions be made as the budget was being drafted. These estimates and assumptions were based on current information available to the board and management. Some key factors and estimates used in the 2007-08 budget preparation process include:

- The State Aid foundation had been estimated to be \$7,385 per pupil;
- Enrollment projections of 500 students in grades K-8;
- Teaching staff, at a maximum, would provide one teacher for every 25 students;
- Benefit costs would be based on group coverage rates through the Michigan Chamber of Commerce.

Since the Academy's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to School Districts and Public School Academies. The State periodically holds revenue-estimating conferences to estimate what the State's available resources will be throughout the remainder of its fiscal year. In spite of the current economic uncertainties we remain cautiously confident that the State will find the resources to sufficiently fund current appropriations.

CONTACTING THE ACADEMY'S MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the Academy's finances. If you have questions about this report or need additional information, contact the Administration Office, Business Entrepreneurship, Science and Technology Academy, 200 Highland St., Highland Park, Michigan.

BUSINESS ENTREPRENEURSHIP SCIENCE & TECHNOLOGY ACADEMY
STATEMENT OF NET ASSETS
JUNE 30, 2007

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 377,852
Other receivables	
State aid	676,025
Federal	151,448
Other	2,315
Prepaid expenses	17,384
Capital assets, net of accumulated depreciation	<u>289,022</u>
 Total assets	 1,514,046
Liabilities	
Accounts payable	111,210
Note payable	850,000
Accrued payroll and benefits	161,317
Management company payable	20,857
Other accrued liabilities	20,281
Deferred revenue	59,424
Long-term liabilities	
Long-term liabilities, due within one year	61,514
Long-term liabilities, due after one year	<u>972,500</u>
 Total liabilities	 2,257,103
Net Assets	
Invested in capital assets, net of related debt	(744,992)
Unrestricted	<u>1,935</u>
 Total net assets	 <u><u>\$ (743,057)</u></u>

See accompanying notes to financial statements

BUSINESS ENTREPRENEURSHIP SCIENCE & TECHNOLOGY ACADEMY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets
Governmental Activities				
Instruction	\$ 1,690,084	\$ -	\$ 666,252	\$ (1,023,832)
Supporting services				
Pupil support services	195,652	-	-	(195,652)
Instructional staff services	176,279	-	-	(176,279)
General administration services	689,625	-	-	(689,625)
School administration services	240,155	-	-	(240,155)
Business services	46,293	-	-	(46,293)
Operations and maintenance	889,210	-	-	(889,210)
Pupil transportation	191,229	-	-	(191,229)
Central services	19,810	-	-	(19,810)
Other student programs	5,013	3,893	-	(1,120)
Community services	4,239	-	-	(4,239)
Food services	257,107	2,191	243,459	(11,457)
Depreciation (unallocated)	48,348	-	-	(48,348)
Other - interest on long-term debt	98,594	-	-	(98,594)
Total governmental activities	\$ 4,551,638	\$ 6,084	\$ 909,711	(3,635,843)
General revenues				
State aid - formula grants				3,800,685
Other revenue				26,772
Total general revenues				3,827,457
Change in Net Assets				191,614
Net Assets - July 1, 2006				(934,671)
Net Assets - June 30, 2007				\$ (743,057)

See accompanying notes to financial statements

BUSINESS ENTREPRENEURSHIP SCIENCE & TECHNOLOGY ACADEMY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

ASSETS

	General Fund	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 377,852	\$ -	\$ 377,852
Accounts receivable	2,315	-	2,315
Due from other governmental units	813,288	14,185	827,473
Due from other funds	14,185	-	14,185
Prepaid expenditures	17,384	-	17,384
	<u>17,384</u>	<u>-</u>	<u>17,384</u>
Total assets	<u>\$ 1,225,024</u>	<u>\$ 14,185</u>	<u>\$ 1,239,209</u>

LIABILITIES AND FUND BALANCES

Liabilities

Accounts payable	111,210	-	111,210
Note payable	850,000	-	850,000
Management company payable	20,857	-	20,857
Deferred revenue	59,424	-	59,424
Accrued expenses	181,598	-	181,598
Due to other funds	-	14,185	14,185
	<u>-</u>	<u>14,185</u>	<u>14,185</u>

Total liabilities	1,223,089	14,185	1,237,274
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Fund Balances

Reserved - prepaids	17,384	-	17,384
Unreserved	(15,449)	-	(15,449)
	<u>(15,449)</u>	<u>-</u>	<u>(15,449)</u>

Total fund balances	1,935	-	1,935
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Total liabilities and fund balances	<u>\$ 1,225,024</u>	<u>\$ 14,185</u>	<u>\$ 1,239,209</u>
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See accompanying notes to financial statements

**BUSINESS ENTREPRENEURSHIP SCIENCE & TECHNOLOGY ACADEMY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2007**

Total Fund Balances - Governmental Funds	\$	1,935
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, not reported as assets in governmental funds

Cost of capital assets	384,008	
Accumulated depreciation	<u>(94,986)</u>	<u>289,022</u>

Long-term liabilities, including capital leases, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Long-term debt	<u>(1,034,014)</u>
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Total Net Assets - Governmental Activities	\$	<u>(743,057)</u>
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See accompanying notes to financial statements

**BUSINESS ENTREPRENEURSHIP SCIENCE & TECHNOLOGY ACADEMY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Local sources	\$ 26,762	\$ 6,094	\$ 32,856
State sources	3,800,685	16,089	3,816,774
Federal sources	666,252	227,370	893,622
Total revenues	4,493,699	249,553	4,743,252
Expenditures			
Current			
Instructional services	1,704,139	-	1,704,139
Supporting services:			
Pupil support services	195,652	-	195,652
Instructional staff services	176,279	-	176,279
General administration services	689,625	-	689,625
School administration services	240,155	-	240,155
Business services	46,293	-	46,293
Operations and maintenance	889,210	-	889,210
Pupil transportation	191,229	-	191,229
Central services	19,810	-	19,810
Community services	4,239	-	4,239
Other student programs	-	5,013	5,013
Food services	-	257,107	257,107
Total expenditures	4,156,631	262,120	4,418,751
Excess (Deficiency) of Revenues Over Expenditures	337,068	(12,567)	324,501
Other Financing Sources (Uses)			
Loan proceeds	32,500	-	32,500
Lease redemption	(158,420)	-	(158,420)
Loan principal	(120,000)	-	(120,000)
Loan interest	(78,308)	-	(78,308)
Operating transfers - in	-	12,567	12,567
Operating transfers - out	(12,567)	-	(12,567)
Total other financing sources (uses)	(336,794)	12,567	(324,227)
Net Change in Fund Balances	274	-	274
Fund Balances - July 1, 2006	1,661	-	1,661
Fund Balances - June 30, 2007	\$ 1,935	\$ -	\$ 1,935

See accompanying notes to financial statements

**BUSINESS ENTREPRENEURSHIP SCIENCE & TECHNOLOGY ACADEMY
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007**

Total Net Change in Fund Balances - Governmental Funds	\$	274
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation exceeds capital outlays in the period:

Depreciation expense	(48,348)	
Capital outlays (computer equipment, telephone equipment and furniture and accessories)	<u>14,054</u>	<u>(34,294)</u>

Repayment of principal on long-term debt is an expenditure in governmental funds, but reduces the liability in the statement of net assets.

Loan proceeds		(32,500)
Repayments of long-term debt		<u>258,134</u>

Change in Net Assets of Governmental Activities	\$	<u>191,614</u>
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See accompanying notes to financial statements

BUSINESS ENTREPRENEURSHIP SCIENCE & TECHNOLOGY ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Business Entrepreneurship Science & Technology Academy (the "Academy") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies:

A. Reporting Entity

Business Entrepreneurship Science & Technology Academy was formed as a charter school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994.

On August 5, 2004, the Academy entered into an eight-year contract with Bay Mills Community College to charter a public school academy. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive State school aid funds pursuant to the State Constitution. The Bay Mills Community College Board of Trustees is the fiscal agent for the Academy and is responsible for overseeing the Academy's compliance with the contract and all applicable laws. The Academy pays the Bay Mills Community College Board of Trustees 3 percent of State aid as an administrative fee. The total administrative fee paid through June 30, 2007 to the Bay Mills Community College Board of Trustees was approximately \$111,648.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational and financial relationships that determine which of the governmental organizations are a part of the Academy's reporting entity, and which organizations are legally separate, component units of the Academy. Based on application of the criteria, the entity does not contain component units.

BUSINESS ENTREPRENEURSHIP SCIENCE & TECHNOLOGY ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

B. District-Wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. Substantially all interfund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the Academy's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational and capital requirements of a particular function. Other items not properly included among program revenue are reported instead as general revenue.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-Wide Statements

The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants, categorical aid, and similar items are

BUSINESS ENTREPRENEURSHIP SCIENCE & TECHNOLOGY ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

District-Wide Statements (Continued)

recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The effect of the interfund activity has been substantially eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all unrestricted State aid.

Fund-Based Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as required under accrual accounting. However, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

BUSINESS ENTREPRENEURSHIP SCIENCE & TECHNOLOGY ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Fund-Based Statements (Continued)

Unrestricted State aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The State portion of the foundation is provided from the State's School Aid Fund and is recognized as revenue in accordance with state law.

The Academy also receives revenue from the State to administer certain categorical educational programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the State of the expenditures incurred. For categorical funds meeting this requirement, funds received which are not expected to be expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

The Academy reports the following major governmental fund:

General Fund

The General Fund is used to record the general operation of the Academy pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

BUSINESS ENTREPRENEURSHIP SCIENCE & TECHNOLOGY ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

General Fund (Continued)

Additionally, the Academy reports the following nonmajor governmental Food Service Fund and Oasis Fund. These funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes in the Academy's food service program and Oasis program. Any deficit generated by these activities are the responsibility of the General Fund.

D. Assets, Liabilities, and Net Assets or Equity

Deposits, Cash Equivalents, and Investments

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of twelve months or less when acquired.

The Academy believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Academy evaluates each financial institution it deposits Academy funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk are used as depositories.

The Academy is authorized by Michigan Compiled Laws, Section 129.91 to invest surplus monies in federally insured United States banks, credit unions, and savings and loan associations that have offices in Michigan. The School District is also authorized to invest in bonds and notes, certain commercial paper, U.S. Government repurchase agreements, bankers' acceptances and mutual funds and investment pools that are composed of authorized investment vehicles.

BUSINESS ENTREPRENEURSHIP SCIENCE & TECHNOLOGY ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

Capital Assets

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The Academy does not have any infrastructure-type assets.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20 – 50 years
Furniture and other equipment	5 – 20 years

MPSERS Liability

The Academy contracted with Mosaica Education, Inc. to provide all staffing personnel during the year under audit. Consequently, all staffing cost is treated as purchased services in these financial statements.

The Academy has no obligation to fund the Michigan Public School Employees Retirement System for the year ended June 30, 2007.

**BUSINESS ENTREPRENEURSHIP SCIENCE & TECHNOLOGY ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

D. Assets, Liabilities, and Net Assets or Equity (Continued)

Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. As of June 30, 2007, deferred revenue consists of grant and categorical aid payments for services prior to meeting spending restrictions.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. In the fund financial statements, governmental fund types recognize bond proceeds, premiums and discounts, as well as issuance costs, during the current period.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriations or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data

Comparative data is not included in the School District's financial statements.

BUSINESS ENTREPRENEURSHIP SCIENCE & TECHNOLOGY ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

GASB 34

District-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the Academy's activities have been provided.

Capital assets of \$384,008 (net of depreciation of \$94,986) are currently recorded in the governmental activities column of the statement of net assets.

The fund financial statements focus on major funds rather than fund types.

The governmental funds now accrue a liability for compensated absences only to the extent they come due for a payment prior to year-end.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Budgetary Data

The Academy is legally subject to the budgetary control requirements of the State of Michigan P.A. 621 of 1978 (the Uniform Budgetary Act). The following is a summary of the requirements of the Act:

BUSINESS ENTREPRENEURSHIP SCIENCE & TECHNOLOGY ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

Budgetary Data (Continued)

1. Budgets must be adopted for the General Fund and Special Revenue Funds.
2. The budgets must be balanced.
3. The budgets must be amended when necessary.
4. Public hearings must be held before budget adoptions.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures must be authorized by a budget before being incurred.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The Academy formally adopted General Fund, and Special Revenue Funds (Food Services and Oasis) budgets by function for the fiscal year ended June 30, 2007. Expenditures at this level in excess of amounts budgeted are a violation of Michigan law. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. No encumbrances were outstanding in the General Fund and Special Revenue Funds at June 30, 2007. During the current year, the budget was amended in a legally permissible manner.

The combined statement of revenues, expenditures and changes in fund balances - all governmental fund types is presented in conformity with generally accepted accounting principles. The combined statement of revenues, expenditures and changes in fund balances - budget and actual is presented on the same basis of accounting used in preparing the adopted budget.

BUSINESS ENTREPRENEURSHIP SCIENCE & TECHNOLOGY ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 3 - DEPOSITS AND INVESTMENTS

State statutes and the Academy's investment policy authorize the Academy to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan; the Academy is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The Academy's deposits are in accordance with statutory authority. The Academy has designated one bank for the deposit of its funds, and has not adopted any other formal investment policy.

The Academy's cash and investments are subject to custodial credit risk, which is examined in more detail below:

Custodial Credit Risk of Bank Deposits – Custodial credit risk is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy evaluates its depositories and only those with an acceptable risk level are used for the Academy's deposits. The Academy believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits.

At year end, the Academy's deposits and investments were reported in the basic financial statements as cash and cash equivalents of \$377,852.

The deposits of the Academy were reflected in the accounts of the financial institution at \$1,269,031, of which \$100,000 is covered by federal depository insurance.

BUSINESS ENTREPRENEURSHIP SCIENCE & TECHNOLOGY ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 4 - CAPITAL ASSETS

Capital assets activity of the Academy's governmental activities were as follows:

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Balance</u> <u>June 30, 2007</u>
Assets being depreciated:				
Furniture and accessories	\$ 144,468	\$ 14,054	\$ -	\$ 158,522
Telephone equipment	45,000	-	-	45,000
Computer software	8,134	-	-	8,134
Computer equipment	172,353	-	-	172,353
Subtotal	369,954	14,054	-	384,008
Accumulated depreciation:				
Furniture and accessories	10,085	34,470		44,555
Telephone equipment	8,250	4,500		12,750
Computer software	211	1,627		1,838
Computer equipment	28,092	7,750		35,842
	46,638	48,348	-	94,986
Net assets being depreciated	323,316	(34,294)	-	289,022
Net capital assets	<u>\$ 323,316</u>	<u>\$ (34,294)</u>	<u>\$ -</u>	<u>\$ 289,022</u>

Depreciation expense was not charged to specific activities as the Academy considers its assets to impact multiple activities and allocation is not practical.

NOTE 5 - RISK MANAGEMENT

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions and employees injuries (workers compensation), as well as medical benefits provided to employees. The Academy has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage since inception.

BUSINESS ENTREPRENEURSHIP SCIENCE & TECHNOLOGY ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 6 - INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2007 consisted of a transfer out of the General Fund to the Special Revenue Fund to fund deficiencies in the Special Revenue Funds.

NOTE 7 - LONG-TERM DEBT

The Academy entered into a long-term note to finance certain costs from its initial year of operations. This note bears an interest rate of one half percent less than prime rate for the life of the note. There is no prepayment penalty. Future debt service payments under this note are as follows:

2008	\$ 263,900
2009	260,900
2010	308,000
2011	<u>291,500</u>
Total debt service payments	1,124,300
Less amount representing interest	<u>(90,286)</u>
Note principal	<u><u>\$ 1,034,014</u></u>

NOTE 8 - COMMITMENTS AND CONTINGENCIES

On June 28, 2004, the Academy entered into an eight (8) year lease agreement for its facility.

BUSINESS ENTREPRENEURSHIP SCIENCE & TECHNOLOGY ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 8 - COMMITMENTS AND CONTINGENCIES (Continued)

The future minimum rental payments under the lease agreement at June 30, 2007 are as follows:

Fiscal year	
2008	\$ 500,000
2009	500,000
2010	500,000
2011	<u>500,000</u>
Total minimum lease payment	<u>\$ 2,000,000</u>

Total rent expenses for the year ended June 30, 2007 was approximately \$483,334.

NOTE 9 - MANAGEMENT FEES

The Academy has entered into a contract with Mosaica Education, Inc., under which Mosaica Education, Inc. assumes management responsibility for the operation of the Academy including educational approach and methodology, discipline, and all financial aspects of the Academy. The management contract may be terminated under various circumstances, including but not limited to minimum student outcomes on standardized tests, as defined in the management agreement. The management contract provides for payment to Mosaica Education, Inc. of 12.5% of revenues received by the Academy and for reimbursement of expenses. The Academy recorded management fees and expense reimbursement of \$561,195 for the year ended June 30, 2007.

REQUIRED SUPPLEMENTAL INFORMATION

**BUSINESS ENTREPRENEURSHIP SCIENCE & TECHNOLOGY ACADEMY
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007**

	Budgeted Amounts Original	Actual (GAAP Basis)	Variances Over/(Under) Final to Actual
Revenues			
Local revenues	\$ 31,449	\$ 26,762	\$ (4,687)
State program revenues	3,857,408	3,800,685	(56,723)
Federal program revenues	781,877	666,252	(115,625)
Other revenue	2,000	-	(2,000)
	<u>4,672,734</u>	<u>4,493,699</u>	<u>(179,035)</u>
Total revenues			
	4,672,734	4,493,699	(179,035)
Expenditures			
Current			
Instructional services	1,807,038	1,704,139	(102,899)
Supporting services			
Pupil support services	198,804	195,652	(3,152)
Instructional staff services	205,535	176,279	(29,256)
General administration services	698,822	689,625	(9,197)
School administration services	245,174	240,155	(5,019)
Business services	46,499	46,293	(206)
Operations and maintenance	905,170	889,210	(15,960)
Pupil transportation	191,972	191,229	(743)
Central services	32,968	19,810	(13,158)
Community services	4,000	4,239	239
	<u>4,335,982</u>	<u>4,156,631</u>	<u>(179,351)</u>
Total expenditures			
	4,335,982	4,156,631	(179,351)
Excess (Deficiency) of Revenues Over Expenditures	336,752	337,068	316
Other Financing Sources (Uses)			
Proceeds from loans	63,000	32,500	(30,500)
Lease redemption	(154,037)	(158,420)	(4,383)
Loan principal	(120,000)	(120,000)	-
Loan interest	(78,308)	(78,308)	-
Operating transfers - out	(46,807)	(12,567)	34,240
	<u>(336,152)</u>	<u>(336,794)</u>	<u>(642)</u>
Total other financing sources (uses)			
	(336,152)	(336,794)	(642)
Net Change in Fund Balance	600	274	(326)
Fund Balance - July 1, 2006	1,661	1,661	-
Fund Balance - June 30, 2007	<u>\$ 2,261</u>	<u>\$ 1,935</u>	<u>\$ (326)</u>

See accompanying notes to financial statements

OTHER SUPPLEMENTAL INFORMATION

**BUSINESS ENTREPRENEURSHIP SCIENCE & TECHNOLOGY ACADEMY
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Food Services</u>	<u>Other Special Revenue Funds</u>	<u>Total</u>
Revenues			
Local sources	\$ 2,201	\$ -	\$ 2,201
State sources	16,089	3,893	19,982
Federal sources	<u>227,370</u>	<u>-</u>	<u>227,370</u>
Total revenues	245,660	3,893	249,553
Expenditures			
Food services	257,107	-	257,107
Other student programs	<u>-</u>	<u>5,013</u>	<u>5,013</u>
Total expenditures	257,107	5,013	262,120
Other Financing Sources			
Operating transfers	<u>11,447</u>	<u>1,120</u>	<u>12,567</u>
Excess of Revenues Over Expenditures and Other Financing Sources	-	-	-
Fund Balance - July 1, 2006	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance -June 30, 2007	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying notes to financial statements

Wilkerson & Associate, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

645 GRISWOLD, SUITE 1812
DETROIT, MICHIGAN 48226
313-967-0134 FAX 313-967-0138

LARRY WILKERSON, C.P.A.
THOMAS E. WILKERSON, C.P.A.

September 24, 2007

To the Board of Directors of
Business Entrepreneurship Science & Technology Academy

As a result of our audit of the June 30, 2007 financial statements of Business Entrepreneurship Science & Technology Academy, no **MANAGEMENT LETTER** was issued.

Sincerely,

Wilkerson & Associate PC

Wilkerson & Associate, P.C.

Members: A.I.C.P.A. and M.A.C.P.A.

**BUSINESS ENTREPRENEURSHIP
SCIENCE & TECHNOLOGY ACADEMY**

SUPPLEMENTAL INFORMATION

SINGLE AUDIT REPORT

JUNE 30, 2007

SECTION A

**BUSINESS ENTREPRENEURSHIP
SCIENCE & TECHNOLOGY ACADEMY
SUPPLEMENTAL INFORMATION
SINGLE AUDIT REPORT**

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Wilkerson & Associate, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

645 GRISWOLD, SUITE 1812
DETROIT, MICHIGAN 48226
313-967-0134 FAX 313-967-0138

LARRY WILKERSON, C.P.A.
THOMAS E. WILKERSON, C.P.A.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Business Entrepreneurship Science & Technology Academy

We have audited the general purpose financial statements of Business Entrepreneurship Science & Technology Academy for the year ended June 30, 2007 and have issued our report thereon dated September 24, 2007. Those general purpose financial statements are the responsibility of the management of Business Entrepreneurship Science & Technology Academy. Our responsibility was to express an opinion on those general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements of Business Entrepreneurship Science & Technology Academy taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis and is not a required part of the general purpose financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Wilkerson & Associate PC

September 24, 2007

Wilkerson & Associate, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

645 GRISWOLD, SUITE 1812
DETROIT, MICHIGAN 48226
313-967-0134 FAX 313-967-0138

LARRY WILKERSON, C.P.A.
THOMAS E. WILKERSON, C.P.A.

REPORT LETTER ON COMPLIANCE WITH LAWS AND REGULATIONS AND INTERNAL CONTROL - MAJOR FEDERAL AWARDS

To the Board of Directors of
Business Entrepreneurship Science & Technology Academy

Compliance

We have audited the compliance of Business Entrepreneurship Science & Technology Academy with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. Business Entrepreneurship Science & Technology Academy's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Business Entrepreneurship Science & Technology Academy's management. Our responsibility is to express an opinion on Business Entrepreneurship Science & Technology Academy's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Business Entrepreneurship Science & Technology Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Business Entrepreneurship Science & Technology Academy's compliance with those requirements.

To the Board of Directors of
Business Entrepreneurship Science & Technology Academy

In our opinion, Business Entrepreneurship Science & Technology Academy complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Business Entrepreneurship Science & Technology Academy is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Business Entrepreneurship Science & Technology Academy's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors, management, Michigan Department of Education, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wilkinson & Associate PC

September 24, 2007

**BUSINESS ENTREPRENEURSHIP SCIENCE & TECHNOLOGY ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

FEDERAL/GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM/TITLE/GRANT NUMBER	FEDERAL CFDA NUMBER	PASS - THROUGH GRANTOR'S NUMBER	APPROVED GRANT AWARD AMOUNT	ACCRUED (DEFERRED) REVENUE JULY 1, 2006	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	CURRENT YEAR CASH RECEIPTS	ACCRUED (DEFERRED) REVENUE JUNE 30, 2007
U.S. Department of Education								
Passed through Michigan Department of Education								
Title I:								
2% School wide Planning Grant - 0506	84.010	051520	\$ 3,000	\$ 1,216	\$ 2,716	\$ 284	\$ 1,500	\$ -
Part A Grants - 0506	84.010	061530	245,863	8,334	231,604	14,259	22,593	-
Part A Grants - 0607	84.010	071530	361,022	-	-	279,050	205,039	74,011
Total			609,885	9,550	234,320	293,593	229,132	74,011
Homeless Children and Youth - 0506								
Homeless Children and Youth - 0607	84.196	062320	11,581	1,306	10,606	975	2,281	-
Total	84.196	072320	10,000	-	-	2,267	2,990	(723)
			21,581	1,306	10,606	3,242	5,271	(723)
Charter Schools								
Charter Schools	84.282	060610	213,839	19,019	145,770	68,069	87,088	-
Total	84.282	070610	313,098	-	-	233,315	203,352	29,963
			526,937	19,019	145,770	301,384	290,440	29,963
Title V								
Part A - 0506	84.298	050250	1,082	(3)	-	-	(3)	-
Part A - 0506	84.298	060250	4,234	1	3,757	-	1	-
Part A - 0607	84.298	060250	478	-	-	478	-	478
Part A - 0607	84.298	070250	2,816	-	-	2,042	-	2,042
Total			8,610	(2)	3,757	2,520	(2)	2,520
Title II Part D								
Technology Literacy Challenge Grants - 0506	84.318	054290	1,598	1,598	1,598	-	1,598	-
Technology Literacy Challenge Grants - 0506	84.318	064290	4,587	2,363	4,143	-	2,363	-
Technology Literacy Challenge Grants - 0607	84.318	064290	444	-	-	444	444	-
Technology Literacy Challenge Grants - 0607	84.318	074290	3,723	-	-	3,723	695	3,028
Total			10,352	3,961	5,741	4,167	5,100	3,028
Title II A								
Improving Teacher Quality - 0506	84.367	050520	14,260	2,533	10,614	-	2,533	-
Improving Teacher Quality - 0607	84.367	060520	21,365	-	-	21,365	21,365	-
Improving Teacher Quality - 0607	84.367	070520	26,394	-	-	2,691	-	2,691
Total			62,019	2,533	10,614	24,056	23,898	2,691

The accompanying notes are an integral part of this schedule.

**BUSINESS ENTREPRENEURSHIP SCIENCE & TECHNOLOGY ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM/TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	APPROVED GRANT AWARD AMOUNT	ACCRUED (DEFERRED) REVENUE JULY 1, 2006	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	CURRENT YEAR CASH RECEIPTS	ACCRUED (DEFERRED) REVENUE JUNE 30, 2007
IDEA Flow-thru - 0506	84.027	060450	2,900	812	2,900	-	812	-
IDEA Flow-thru - 0607	84.027	070450	39,699	-	-	37,288	12,239	25,049
Total			42,599	812	2,900	37,288	13,051	25,049
Subtotal Michigan Department of Education			1,281,983	37,178	413,707	666,252	566,890	136,540
U.S. Department of Agriculture								
Child Nutrition Cluster:								
Passed through Michigan Department of Education								
Breakfast	10.553	061970	32,851	3,042	23,870	8,981	12,023	-
Breakfast	10.553	071970	54,409	-	-	54,409	50,943	3,466
Total			87,260	3,042	23,870	63,390	62,966	3,466
Sec 4 All Lunches	10.555	061950	11,163	892	8,842	2,321	3,213	-
Sec 4 All Lunches	10.555	071950	15,647	-	-	15,647	14,161	1,486
Sec 11 Free & Reduced Lunches	10.555	061960	99,854	7,959	79,729	20,125	28,083	-
Sec 11 Free & Reduced Lunches	10.555	071960	123,618	-	-	123,618	114,384	9,233
Snacks	10.555	061980	7,441	205	5,696	1,745	1,949	-
Snacks	10.555	071980	527	-	-	527	527	-
Total			258,250	9,056	94,267	163,982	162,317	10,719
Total Child Nutrition Cluster			345,509	12,098	118,138	227,370	225,283	14,185
Total Passed Through Michigan Department of Education			1,627,492	49,276	531,845	893,622	792,173	150,725
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ 1,627,492	\$ 49,275	\$ 531,845	\$ 893,622	\$ 792,173	\$ 150,725

The accompanying notes are an integral part of this schedule.

**BUSINESS ENTREPRENEURSHIP SCIENCE & TECHNOLOGY ACADEMY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Business Entrepreneurship Science & Technology Academy and is presented on the same basis of accounting as the general purpose financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

NOTE 2 - GRANT SECTION AUDITOR'S REPORT

Management has utilized Form R-7120 in preparing the new MDE Cash Management System in preparing the schedule of expenditures of federal awards. Unreconciled differences, if any, have been disclosed to the auditor.

Section 1 - Summary of Auditor's Results

Type of auditor's report issued: Unqualified

* Material weakness(es) identified? Yes X No

* Reportable condition(s) identified that are
Not considered to be material weaknesses? Yes X None reported

Noncompliance material to financial statements noted? Yes X No

Internal control over major programs:

* Material weakness(es) identified? Yes ☒ No

* Reportable condition(s) identified that are Not considered to be material weaknesses? Yes X None reported

Type of auditor's report issued on compliance for major programs: **Unqualified**

Any audit finds disclosed that are required to be reported in accordance with Section 501(a) of Circular A-133? _____ Yes X No

Identification of major program:

7A

**BUSINESS ENTREPRENEURSHIP SCIENCE & TECHNOLOGY ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes X No

Section 2 - Financial Statement Audit Findings

None

Section 3 - Federal Program Audit Findings

None